



Faculty of Cognitive Science and Human Development

**CORRELATION BETWEEN REMUNERATION AND JOB
SATISFACTION WITHIN AN ORGANIZATION IN KUCHING**

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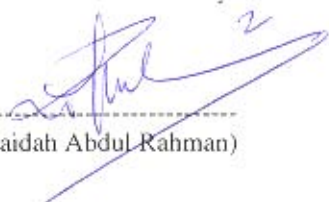
by

KEK YUAN HO

A project paper is submitted in partial fulfillment of the requirements to obtain a
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This project paper is to identify the correlation between remuneration and job satisfaction within an organization in Kuching been prepared by Kek Yuan Ho to submit ... to Faculty of Cognitive Science and Human Development to obtain a Bachelor of Human Resources Development.

Checked by:



(Puan Zuraidah Abdul Rahman)

Date:

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Dedications

To my mother for starting me
On a quest for knowledge

And

To my family for their support

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To my supervisor, Puan Zuraidah Abdul Rahman, my deepest appreciation for her guidance, advice and most of all, for her considerate ways.

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ABSTRACT

CORRELATION BETWEEN REMUNERATION AND JOB SATISFACTION WITHIN AN ORGANIZATION IN KUCHING.

Kek Yuan Ho

This study was to identify the correlation between remuneration and job satisfaction, and it was to analyze the correlation between demography factor and job satisfaction within technical group in Komag. The independent variables are gender, age, marital status, salary, bonus and promotion. This study identified the correlation between the independent variable and dependent variable (job satisfaction). The data was collected through questionnaires and the questionnaires were distributed to 60 technical staff within the same shift in a technical group in Komag. There were 41 males and 19 females responded to the questionnaires. After analyzing all data with the Pearson's Product Moment Coefficient of Correlation, the study showed that there was a correlation between remuneration and job satisfaction, but there was no correlation between demography factor and job satisfaction. So the effectiveness of remuneration should first be considered before job satisfaction.

Abstrak

Kajian ini adalah untuk menentukan korelasi antara pulangan kerja dan kepuasan kerja, dan ia juga menentukan korelasi antara factor demografi dan kepuasan kerja di kalangan pekerja teknikal syarikat Komag. Pembolehubah tak bersandar dalam kajian ini adalah jantina, umur, status perkahwinan, gaji, bonus dan kenaikan pangkat. Kajian ini untuk menentukan korelasi antara pembolehubah tak bersandar dan pembolehubah bersandar (kepuasan kerja). Data dikumpulkan melalui soal selidik daripada 60 orang pekerja teknikal dalam kumpulan shift yang sama dalam Komag. Terdapat 41 respondent terdiri dari pekerja lelaki dan 19 respondent yang terdiri dari perempuan yang menjawab soal selidik ini. Selepas menganalisa semua data melalui Pearson's Product Moment Coefficient of Correlation, kajian menunjukkan terdapat korelasi antara pulangan kerja dan kepuasan kerja tetapi terdapat tidak wujudnya korelasi antara factor demografi dan kepuasan kerja. Jadi keberkesanan daripada pulangan pekerja perlu dipertimbangkan terlebih dahulu sebelum kepuasan kerja.

CHAPTER 1 INTRODUCTION

1.1 Introduction

Job satisfaction is important in any organization, job satisfaction is helping workers to develop their skills to set their own goals and to manage their own learning and performance. Job satisfaction in a working environments also allows the workers to determine their directions or goal, and measure the effectiveness to either be successful or become failure workers. Job satisfaction is important in helping organization to develop their employees, and it will help in increasing organization's performance. With high level of job satisfaction, workers will have high level of loyalty, and they are willing to give commitment to the organization.

This chapter identifies the correlation between job satisfaction and remuneration within technical employees of an organization in Kuching, Komag USA (M) Sdn, Kuching. Furthermore, it also determines the correlation between satisfaction and human demography, for example: age, gender, and marital status.

1.2 Research Background

Remuneration and job satisfaction become important for nationwide companies to attract and retain technical employees in labour market.

Job satisfaction is very important in developing the quality and performance within technical employees. Job satisfaction is related to individual characteristics and situational condition, for example: the strength, direction, and persistence of an individual's behaviour. Based on these broad conceptualisations, London (1983; 1993) has proposed a theory of career satisfaction, which suggests that individual characteristics and situational conditions are the key predictors of individual career behaviours and decisions.

According to Maslow's Hierarchy of Needs (1970), there are five needs important to people {Physiological Needs, Safety, or Security Needs, Social or Affiliation Needs, Esteem Needs and Self-Actualization Need}. Self-actualization needs is needed for a person to fulfill his or her capabilities and potential. Hertzberg *et al.* (1959) asked respondents to identify the issues that made them feel good particularly (satisfiers) and bad (dissatisfies) about their jobs. From the respondent, it is found that the dissatisfies or hygiene factors are related to Maslow's Self-actualization needs. These include company policy, administration, salary, working conditions and interpersonal relations

From social model of Mayo(1975). People at work are always satisfied primarily by social needs, such as the need for friendship and acceptance, and their sense of identity

formed through relationships with other people. This will influence people's satisfaction level in the work place.

In this study, the technical group from one of the departments within Komag, Kuching will be chosen as the subjects. To improve an organization's competitiveness and productivity, the satisfaction level of technical group is important. To increase the loyalty of the technical group, organization can use many ways to fulfill workers' job satisfaction. Job satisfaction will help organization control and organize workers. To achieve this aim, it is necessary for organizations to provide job satisfaction of the workers.

This study will identify the correlation between remuneration and job satisfaction, and can be used as reference for organization to meet technical group's expectation.

1.3 Organization Background

In the late 1970s and early 1980s Komag's, co-founder, Dr. Tu Chen, a Taiwan-born scientist, led research efforts at Xerox (PARC) to adapt the thin-film technology similar to that used in the production of semiconductors to the production of magnetic disks for storing and retrieving data in computers. Most computer hard disks at that time were produced based on oxide technology. Today, "thin-film sputtering", the technology approach that Komag pioneered, is the basic process used in all new disk drive designs.

In 1983 Dr. Tu Chen, and two of his childhood friends: Dr. Jim Shir, a former IBM research scientist in the field of magnetism Scott Chen, an engineering manager of IBM disk drive program, and Stephen C. Johnson, then president and chief executive officer of Boschert, Incorporated, started Komag to bring Dr. Chen's ideas into production.

In the year 1996 Komag started its operation in Sarawak and on schedule in April Komag USA (Malaysia) Sdn completed construction of its 27,500 square meter thin-film disk manufacturing plant in Kuching, Sarawak. Operation reached one-million-disk production mark within its first six weeks of operation.

1.4 Statement of problem

Since the global economy became worse after 1997, many organizations met a dilemma between cost control and job satisfaction. Improper remuneration would diminish job satisfaction especially in low-income workers.

During the economy crisis, many organizations cut costs to survive. Many organizations bankrupted because of ineffective cost control. Even until now, the impact of economy crisis exist in Malaysia.

In addition, the economic crisis left a dent into the compensation and benefit system in every organization.

Instead of maintaining the job satisfaction among workers and cost control effectiveness, organization needs to determine the correlation between remuneration and job satisfaction. Therefore, they can plan, control and evaluate the remuneration easily and can satisfy workers needs.

1.5 Objective of the research

Objectives of this study will divided into general objective and specific objectives.

1.5.1 General objective

The general objective of this study is to identify the correlation between remuneration

and job satisfaction within technical staff in Komag USA (M) Sdn, Kuching.

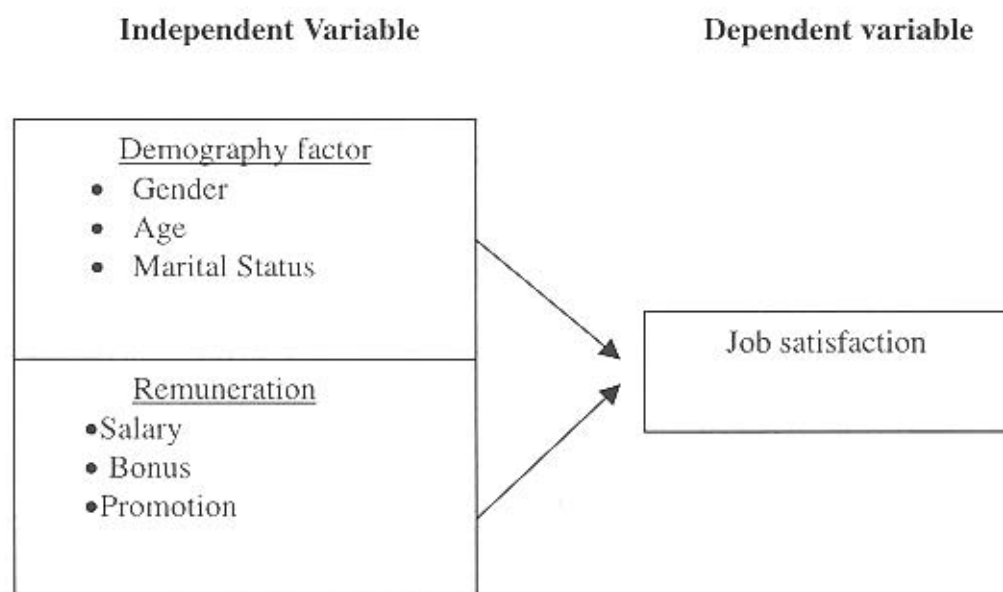
1.5.2 Specific objectives

The specific objectives of this study are:

- To identify the correlation between job satisfaction and gender within technical staff's satisfaction
- To identify the correlation between job satisfaction and age within technical staff's satisfaction.
- To identify the correlation between job satisfaction and marital status within technical staff's satisfaction.
- To identify the correlation between job satisfaction and salary within technical staff's satisfaction.
- To identify the correlation between job satisfaction and bonus within technical staff's satisfaction.
- To identify the correlation between job satisfaction and promotion within technical staff's satisfaction.

1.6 Conceptual Framework

The dependent and independent variables of this study can be seen as below:



1.7 Hypothesis

The null hypotheses tested in this study are:

H₀ 1: There is no significant correlation between gender and job satisfaction

H₀ 2: There is no significant correlation between age and job satisfaction

H₀ 3: There is no significant correlation between marital status and job satisfaction

H₀ 4: There is no significant correlation between salary and job satisfaction

H₀ 5: There is no significant correlation between bonus and job satisfaction

H₀ 6: There is no significant correlation between promotion and job satisfaction

1.8 Definition of terms

1.8.1 Job Satisfaction

1.8.1.1 Conceptual definition

Positive attitude or perception from an individual towards his career. For example: workers feel satisfied with the career, they like to come to work, and they feel happy when working in organization.(Mirza S Saiyadain ,1996)

1.8.1.2 Operational definition

Satisfaction in job satisfaction within technical group towards the remuneration received.

1.8.2 Remuneration

1.8.2.1 Conceptual definition

"Payment for work performed, injuries received, loss of employment, or other considerations."(Encarta, 2001)

1.8.2.2 Operational definition

Remuneration in this study will focus on salary, bonus and promotion. They are used to identify the correlation with job satisfaction within the technical group.

1.8.3 Gender

1.8.3.1 Conceptual definition

"The sex of a person or organism, or of a whole category of people or organisms. Any one of the categories, for example, masculine, feminine, neuter, or common into which nouns and pronouns are divided in languages that have gender. Traditionally, gender was referred to grammatical classifications in languages that have masculine, feminine, and neuter nouns; and sex was referred to the biological classifications to which gender is related," (World English Dictionary)

1.8.3.2 Operational definition

The gender in this study will focus on male and female within the technical group in Komag.

1.8.4 Age

1.8.4.1 Conceptual definition

"It shows how long for an individual life since he/she was born." (Kamus Dewan, 1994)

"The length of time that somebody or something has existed, usually expressed in years" (World English Dictionary)

1.8.4.2 Operational definition

The age of technical group divided into four groups. They are: less than 25 years old; 26-30 years old; 31-40 years old; and above 40 years old

1.8.5 Marital status

1.8.5.1 Conceptual definition

"A marital status usually involves some kind of contract, either written or specified by tradition, which defines the partners' rights and obligations to each other, to any children they may have, and to their relatives. In most contemporary industrialized societies, marriage is certified by the government." (Encarta,2001)

1.8.5.2 Operational definition

The marital status of respondent is divided into marriage and single.

1.8.6 Salary

1.8.6.1 Conceptual definition

"Pay, often expressed in annually, monthly and weekly terms, usually of nonmanual workers. For example, a teacher's salary might be \$15,000 per year. Salaried workers are most unlikely to receive overtime payments, though they may receive bonuses. Although they are contracted to work for a specific number of hours per week, they are usually expected to work the number of hours enough to do the job to a satisfactory standard."(Encarta 2001)

1.8.6.2 Operational definition

The monthly pay received by technical group from employer.

1.8.7 Bonus

1.8.7.1 Conceptual definition

"An extra-unexpected advantage or an amount of money given in addition to normal pay, especially as a reward."

"An extra dividend or premium paid to the purchaser, holder, promoter, or vendor of a stock or insurance policy."

"A special payment by a government to an individual." (World English Dictionary)

1.8.7.2 Operational definition

The bonus is an extra-unexpected money received per every year by technical group from the organization.

1.8.8 Promotion

1.8.8.1 Conceptual definition

Promotion is a situation where the workers are being promoted to a higher level so they can use their ability and their knowledge fully as a satisfaction for them to achieve higher performance. (Vroom. V.H.,1964)

1.8.8.2 Operational definition

Promotion focuses on the satisfaction level of technical groups for their chances of being promoted to a higher level of job salary by the organization.

1.9 Conclusion

This chapter discussed the aspect in this research generally, further explanation it can be obtained in the next chapter.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter states the literature review of related studies to the correlation between job satisfaction and remuneration within technical staffs of Komag USA (M) Sdn, Kuching.

2.2 Correlation between remuneration and job satisfaction

Correlation between job satisfaction and remuneration will influence the performance of an organization. The review of the literature provides mixed conceptual evidence concerning the correlation between job satisfaction and remuneration. This study empirically investigates the correlation between job satisfaction and remuneration, and finds that the correlation between job satisfaction and remuneration can be distinguished from one another. Moreover, the findings from this study suggest that overall remuneration has a direct correlation on job satisfaction. When overall remuneration is high, technical staff will have high average of job satisfaction (increase loyalty, willing to give commitment) or vice versa.

2.3 Dimensions of job satisfaction

Job satisfaction is important in helping workers to develop self-regulatory skills to set their own goals and manage their own learning and performance.

A prevalent model in satisfaction theory is credited to John M. Keller. The ARCS theory of satisfaction corresponds to each of the four letters of the acronym (Keller, 1984):

A- Attention
R- Relevance
C- Confidence
S- Satisfaction
Job satisfaction

Workers base their satisfaction on the comparison of their achievement with the achievements of those involved with them in the same learning environment (Keller, 1987). Elements increasing job satisfaction can be bonus, incentives, and awards (Driscoll, 2000). From here, the relationship between job satisfaction and remuneration is clearly stated. Job satisfactions are important in helping workers to develop self-regulatory skills to set their own goals and manage their own learning and performance. Job satisfaction in a

working environments also allows the workers to determine the clarity of their directions, and measure the effectiveness of varying consequences to either be successful or failure workers(Driscoll, 2000). Keller added that the curiosity and worker's ability to learn was the keys to promoting knowledge seeking behavior within workers.(Keller, 1987).

The significance of job satisfaction changes over time. Job satisfaction is important in predicting which employees might quit, but becomes less significant over time. The factors that may be included in the loss of job satisfaction over time is family considerations, or having the desire for new challenges.

2.4 Theoretical view of job satisfaction.

From the theories below, the theoretical view of job satisfaction can be found from Maslow's Hierarchy of Need Theory, Maslow, A.H. (1954)and The Complex Model(Schein,1980).

2.4.1 Maslow's Hierarchy of Need Theory

Maslow (1970) first developed the idea of self-actualization needs. According to Maslow, self-actualization is the need a person has to fulfill his or her capabilities and potential, that is, his or her desire for growth. The model further indicates that the following satisfy people's need:

- Human needs fall into a hierarchy from the most basic physiological needs to needs for self-actualization (Maslow, 1970). As the basic needs are met, energy is released for the satisfaction of higher needs. Everyone seeks a sense of meaning and accomplishment in their work (see Figure 1).
- Individuals like to exercise autonomy and independence and to develop skills.
- People are primarily self-motivated and self-controlled.

There is no inherent conflict between self-actualization and more effective organizational performance. People are happy to integrate their goals with those of the organization.

MALOW'S HIERACHY OF NEEDS

- **Self-actualization:** The drive to become what one is capable of becoming; includes growth, achieving one's potential, and self-fulfillment
- **Esteem:** includes internal esteem factors such as self-respect, autonomy, and achievement; and external factors such as status, recognition, and attention
- **Social:** includes affection, belongingness, acceptance, and friendship
- **Safety:** includes security and protection from physical and emotional harm
- **Physiological:** includes hunger, thirst, shelter, sex, and other bodily needs

Figure 1 Maslow's hierarchy of needs



Source: Hellriegel Jackson Slocum. Management. Page 465-466

From the Malsow's Hierarchy of Needs, remuneration is important to fulfill job satisfaction, because remuneration will influence the satisfaction level of workers towards their jobs. (Maslow,A.H,1954)

2.4.2 The Complex Model

Schein (1980) argues that the problem with each of the preceding models of human behaviour is their claim to universality and generality. Schein, instead, sees human nature as complex, with human needs and job satisfaction varying according to the different circumstances people face, their life experience, expectations and age. People are satisfied to work when they believe that they can get what they want from their jobs. This might include the satisfaction of safety needs, the excitement of doing challenging work, or the ability to set and achieve goals. Schein (1980)emphasizes that those with the responsibility to manage people need to be sensitive to people's differing circumstances, different cultural backgrounds, and use different strategies to satisfy staff's need to accommodate the diversities.

Schein (1980) also introduces the concept of a psychological contract. This contract is essentially a set of expectations on both sides and a match is important if efforts to improve satisfaction and motivation are likely to be effective. This model suggests a process of enquiry and negotiation, where each side makes their expectations explicit, and some kind of workable agreement is reached. The manager also needs to recognize that people are not fully aware of their expectations or most find it difficult to express them, so the manager needs to be sensitive and open to signs. From Schein's theory, remuneration is important to satisfy worker's job satisfaction.

2.4.3 Herzberg's Theory Of Motivation

Herzberg (1959) constructed a two-dimensional model of factors affecting people's attitudes about work. He concluded that such factors as company policy, supervision, interpersonal relations, working conditions, and salary are hygiene factors rather than

motivators. According to the theory, the absence of hygiene factors can create job dissatisfaction, but their presence does not motivate or create satisfaction.

In contrast, he determined from the data that the motivators were elements that enriched a person's job; he found five factors in particular that were strong determiners of job satisfaction: achievement, recognition, the work itself, responsibility, and advancement. These motivators (satisfiers) were associated with long-term positive effects in job performance while the hygiene factors (dissatisfiers) consistently produced only short-term changes in job attitudes and performance, which quickly fell back to its previous level.

In summary, satisfiers describe a person's relationship with what she or he does, many related to the tasks being performed. Dissatisfiers, on the other hand, have to do with a person's relationship to the context or environment in which she or he performs the job. The satisfiers relate to what a person does while the dissatisfiers relate to the situation in which the person does what he or she does. (Bellott, F. K., & Tutor, F. D. 1990)

2.4.4 Alderfer's DRG Theory

Clay Alderfer looked at motivation from a needs perspective; his ERG theory specifies three needs categories: existence, relatedness, and growth.

- **Existence needs:** are the desires for material and physical well-being that are satisfied through food, water, air, shelter, working conditions, pay, fringe benefits, and others alike. These needs are similar to Maslow's psychological and security needs. In addition, it combined both theories.
- **Relatedness needs:** are the desires to establish and maintain interpersonal relationship with other people, including family, friends, supervisor, subordinates and co-workers. These needs are similar to Maslow's affiliation needs.
- **Growth needs:** are the desires to be creative, to make useful and productive contributions, and to have opportunities for personal development. These needs are similar to Maslow's esteem and self-actualization needs.

2.5 Remuneration

Remuneration programs serve as the basis for attracting and retaining needed labor in managing and operating offshore operations. To maintain organization's competitiveness in global market, an effective remuneration program is critical and important. For example, stock option has become an essential retention tool in competitive labor markets as well as a way for companies to distinguish themselves as an employer of choice. Here is some of the remuneration usually offered to workers by organization: salary, bonus, promotion, Stock Options, Increased Long-Term Incentives and others. (Henderson, 2000)

There are totally 8 dimensions of remuneration system: pay for work and performance; disability income continuation; deferred income; health, accident, liability protection; pay for time not worked; loss-of-job income continuation; spouse(family) income continuation; and income equivalent payments. (Henderson, 2000)

In an organization, the way to satisfy job satisfaction is related to remuneration (Hersey & Blanchard, 1993). Job satisfactions include salary, wages, bonus, and incentive offered by an organization. These aspects can fulfill worker's needs with supply them resources to survive. (Stoner & Walker, 1989)

2. 6 Conclusion

This study wants to find out the correlation between remuneration and job satisfaction. From the correlation between demography factors, remuneration and job satisfaction, the result will be able to help the organization in planning and implement the human resources planning especially during strategy planning.

CHAPTER 3 METHODOLOGY

3.1 Introduction

This study attempts to identify the correlation between job satisfaction and remuneration. The correlation from salaries, bonus and towards job satisfaction within technical groups is tested by questionnaire.

3.2 Population and location

The main population is focused on one of the shifts in technical group in Komag, Kuching. There are about 160 men in a shift and there are in total four shifts running by turn in a day. The population pool is in 640 people, but this survey only needs about 55 respondents as min population to give an accurate result.

Method of calculation for minimum sample size by Luck, Taylor and Robin (1987)

Formula: $So = \frac{Z^2 (p)(q)}{E^2}$

$$So = \frac{So}{1 + So / N}$$

- Where: S= Size Sample
N=Size Population
p=Assumed population ration 0.5
q=(1-p), or 0.5
e=Degree of accuracy that can accepted in possibility p.

Where e=0.1

Z= Trustable Level In 1.625

$$So = \frac{(1.625)^2 (0.5)(0.05)}{0.12}$$

$$= 66.02$$

$$S = \frac{66.02}{1 + (66.02/640)}$$

$$= 59.84$$

It is mean there is at least 60 respondents was needed to obtain an reliable results.

3.3 The Sampling

The sample is using the stratified random sampling which consist of 60 respondents who are in the same shift. This research uses questionnaire to collect information from respondents from chosen population. From the analysis of the collected data, correlation between each variable can be seen clearly. Questionnaire is a suitable way to obtain information from respondents because it is not time consuming and it is cost-saving.

This research is categorized as quantitative research because it uses Statistical Inference Analysis to discover the correlation of independent variables (demography factor and remuneration) and dependent variables (job satisfaction).

Statistical Package For The Social Science (SPSS)is used to analyze all the data collected.

3.4 Instrument of the study

The questionnaire (refer to Appendix B) is designed and modified (Relly Ak Tasap, 1999) to study the correlation between remuneration and job satisfaction. This research is using questionnaire (survey method) to collect feedback from respondents.

3.4.1 Part A Respondent's Background

The respondents' background is divided into three-demography factor. (Gender, Age, and Marital Status) The sub-objective of this study is to identify the correlation between demography factor and job satisfaction. Respondent were respond to answer the question according to the sections that are prepared for them.

3.4.2 Part B Factors That Influence Job Satisfaction

In section 2 in the questionnaire identify is the data related to remuneration, it has been categorized into three sections. There are 1) Salary; 2) Bonus; and 3) Promotion. All the data will be collected and analyzed to determine its correlation between the salary, bonus, promotion and job satisfaction.

3.4.3 Part C Overall Satisfaction

This part is to identify the overall level of job satisfaction of respondents. They can give their overall opinions, suggestions and views towards job satisfaction.

3.5 Pilot Test

After the questionnaire has been prepared, the pilot test was tested against 25 people within the organization. From the data collected, the result shows the questionnaire is reliable to identify the correlation between remuneration and job satisfaction.

3.6 Data Collection

After receiving the permission from Komag USA (M) Sdn, Kuching, the questionnaires are distributed on January 2002 to the technicians after receiving permission from Cik. Roszanna. All the questionnaires were distributed randomly by the supervisor Mr. Chong Poh Kwong. There were about 60 questionnaires distributed to the respondents of the organization. They were asked to return the questionnaires as soon as possible after they have filled the questionnaires. The respondents took a week to fill in the questionnaires. With their help, all questionnaires were collected (60 questionnaires been distributed).

3.7 Data Analysis

From the data collected, all data are analyzed by the Statistical Package for Social Science-Windows (SPSS Windows) Software. This analysis is carried out the usage of statistic descriptive and statistic inference. This method is used to obtain the mean, total score and percentage. T-test, one-way ANOVA, means of each practice and Pearson's Product Moment Coefficient Of Correlation being used to find out the significant differences and relation between compensation and satisfaction.

3.7.1 Pearson's Product Moment Coefficient Of Correlation

Pearson's Product Moment Coefficient Of Correlation is used to find out the correlation between remuneration and respondent's satisfaction. This method is used to explain the correlation between dependent variable and independent variable. It can show whether there is correlation exist between two variable or vice versa.

3.7.2 Descriptive Statistics, Frequency Counts and Percentage

Descriptive statistics, frequency counts and percentage are used to record and describe the details related to the profile of employees, like gender, age, and marital status

3.7.3 T-test

T-test is used to determine the differences between respondent according to the demography feature of each individual. For example, in the categories for gender and marital status.

3.7.4 One-way ANOVA

One-way ANOVA is used to determine the age differences of the respondent. It is used because the age group is divided into four groups (less than 25 years old; 26-30 years old; 31-40 years old; and 41 years old and above). Age group cannot be analyzed by T-test because it has more than two variables.

3.8 Conclusion

Generally, this chapter discussed the step in order to complete this survey. It is used to plan an effective data collection system from the respondent so that it could make the result of the research can be viewed easily and effectively. It could also make sure that the objectives of the research were achieved. After categorizing the data according to each